ALMANOR REGIONAL TRANSPORTATION ASSESSMENT

FINANCIAL ANALYSIS

FINAL REPORT

Caltrans District 2
Lassen and Plumas Counties

September 2008

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1 EXISTING FUNDING

Introduction

Caltrans owns, operates, and maintains the state highways within the project area. The existing funding source for improvements to state highways is the State Highway Account (SHA). The two largest uses of funds in the SHA are for the State Highway Operations and Protection Program (SHOPP) and the State Transportation Improvement Program (STIP). SHOPP funds are used to maintain the safety and integrity of the state highway system while STIP funds are used to add capacity (add lanes for example).

The STIP is a multi-year capital improvement program adopted by the California Transportation Commission. Seventy-five percent of STIP funds are allocated to Regional Transportation Planning Agencies for programming in Regional Transportation Improvement Programs. Twenty-five percent of STIP funds are the responsibility of Caltrans in the Interregional Transportation Improvement Program.

Funding for the State Highway Account is provided from the following sources:

1.1 Federal Funding

On August 10, 2005, the President signed into law the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). With guaranteed funding for highways, highway safety, and public transportation totaling $244.1 billion, SAFETEA-LU represents the largest surface transportation investment in our Nation's history. The two prior bills include the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) and the Transportation Equity Act for the 21st Century (TEA-21). SAFETEA-LU builds on this foundation, supplying the funds and refining the programmatic framework for investments needed to maintain and grow our vital transportation infrastructure.

SAFETEA-LU continues the TEA-21 concept of guaranteed funding, keyed to Highway Trust Fund (Highway Account) receipts. In essence, the guaranteed amount is a floor – it defines the least amount of the authorizations that may be spent. Federal-aid Highway program (FAHP) authorizations in SAFETEA-LU total $193.1 billion (net of an $8.5 billion rescission scheduled for September 30, 2009). Adding in the $100 million per year authorized in title 23 for Emergency Relief, authorizations for the FAHP total $193.6 billion. Within total authorizations, the amount guaranteed for the FAHP is estimated to be $193.2 billion.

1.2 State Funding

The State of California imposes an 18-cent per gallon tax on fuel used to motor vehicles or aircraft. The California Constitution restricts use of tax on motor vehicle fuel to research, planning, construction, improvement, maintenance, and operation of public streets and highway or public mass transit guideways. Local agencies receive gasoline tax revenue based on population and maintained mileage.

1.3 Infrastructure Bond Measure

On November 7, 2006, the people of California voted in favor of Propositions 1A and 1B, which will provide additional funding for transportation projects.

Proposition 1A, prohibits the state sales tax on motor vehicle fuels for any other use, other than transportation improvements. This requirement should provide greater stability in transportation funding in the future.

Proposition 1B authorizes the state to sell $19.92 billion in bonds for safety improvements and repairs to the state highways; upgrading freeway to reduce congestion; repair of local streets and roads; improvements and seismic safety upgrades on local bridges; expansion of transit services; improvements in security and enhancements to the goods movement corridors. Funding for the Congestion Relief component of the bond ($4.5 billion) was committed by the California Transportation Commission (CTC) for use on heavily congested corridors primarily in the urban areas. Two billion dollars will be available through the State Transportation Improvement Program and two billion dollars will be distributed to the local agencies (based on the number of vehicles registered in the county, the number of maintained miles in the county, and the total population of each city in the county). The estimated amount that will be distributed for local road maintenance is $3,469,587 to Plumas County, and $4,350,041 to Lassen County. This does not include funds paid to incorporated cities, as they will be paid separately.

2 POTENTIAL ADDITIONAL SOURCES OF FUNDING

Local governments in California have a number of ways available to generate local funding for improvements to State highways and local roads. Below are some of the applicable options for the Almanor Region.

2.1 User Fees

In the United States, state and federal governments mostly rely on Gas Tax or User fees to generate revenue for transportation infrastructure and services. That means that those who use highways or other modes of transportation pay the government for the use of facilities and services. This is particularly true for highway users who pay for the service

provided by the State Department of Transportation through motor vehicle fuel taxes, motor vehicle excise taxes, vehicle title or registration fees, and other fees.

Local agencies have the general authority to impose fees, sometimes called charges or rates, defined by Article XI, Section 7, and Article XI, Section 9 of the State Constitution. Fees are distinguished from taxes in two principal ways: 1) the amount of the fee may not exceed the estimated reasonable cost of providing the particular service or facility for which the fee is charged, while the amount of a tax is not subject to any such restriction; and 2) the service or facility for which the fee is charged bears a relationship to the person or entity paying the fees.

Fees and charges fall into three general categories: 1) user fees are charged to a person or entity using or consuming a service; 2) development fees are charged to a person or entity for the privilege of developing private property to defray the cost of public facilities and services necessary to serve the development; and 3) regulatory fees are charged to a business to fund a program established to mitigate the deleterious efforts of the business on the community.

2.2 Taxes

The power of local county agencies to tax is not inherent but is instead derived from Article XIII, Section 24 of the California Constitution which states that the Legislature may instead authorize local governments to impose them. The Legislature has authorized a variety of taxes that a local county may impose (transient occupancy tax, sales tax, etc).

In 1978, Proposition 13 created the distinction between “general” and “special” taxes. A general tax is any tax imposed for general governmental purposes. In 1996, Proposition 218 further defined and established procedures for general taxes. A majority vote of the electorate is required to impose, extend or increase any general tax, and a two-thirds vote of the electorate is required to impose, extend or increase any special tax. A general tax may be reduced or repealed by initiative.

2.2.1 Property Taxes

The property tax is imposed on real property (land and permanently attached improvements such as buildings) and tangible personal property located within the state. By definition, this ad valorem tax is based on the property value rather than on a fixed amount or benefit. Intangible assets and rights are not subject to taxation. Intangible assets and rights may not enhance or be reflected in the value of real property, except to the extent that they are necessary to put real property interest to beneficial or productive use. Article XIIIA of the State Constitution limits the real property tax rate to one percent of the property’s assessed value, plus rate imposed to fund indebtedness approved by the voters.

2.2.2 Sales and Use Tax

The sales tax is imposed on retailers for the privilege of selling tangible personal property in California. The use tax is imposed on the sale of a product purchased out-of-state and delivered for use in California. Before 1955, counties administered the local sales tax ordinances. Today, the local agencies must impose the tax only as set forth in state law. The basic rate is one percent. The local rate may exceed one percent if any of the special statutory authorizations to do so have been used. The combined rate of special statutory authorizations is limited to 2.25 percent. Some counties also impose taxes added on the basic rate. These taxes, called transaction and use taxes, have been imposed for hospitals, education, traffic, open-spaces, planning, earthquake recovery, general and other purposes.

There are nineteen counties in California that have enacted temporary sales tax measures for transportation, and seven counties with permanent sales tax measures for transportation. These counties are commonly referred to as "**Self-Help Counties**". These taxes range from 0.125% to 0.5%. The nineteen Self-Help Counties that have temporary sales tax measures include the following:

- Alameda
- Contra Costa
- Fresno (new extension Nov. 2006)
- Imperial
- Los Angeles
- Marin
- Madera (new extension Nov. 2006)
- Orange (new extension Nov. 2006)
- Riverside
- Sacramento
- San Bernardino
- Santa Clara
- Santa Cruz
- San Diego
- San Joaquin (new extension Nov. 2006)
- San Mateo
- San Francisco
- Sonoma
- Tulare (new Nov. 2006)

Currently, the Self-Help Counties account for over 85% of California population with annual revenues of over $2.85 billion.

2.2.3 Transient Occupancy Tax

Local agencies may impose the Transit Occupancy Tax (TOT) on persons staying 30 days or less in a hotel, inn, motel, tourist home, non-membership campground or other lodging facility. Agencies may also levy a tax on the privilege of renting a mobile home located outside a mobile home park, unless such occupancy is more than 30 days or unless the tenant is an employee of the owner. Rates are set at the local agency's discretion and may include a specific amount as well as a percentage. Tax rates range from 4 to 15%, with an average of 9.4 percent (based on a year 2000 survey).

2.2.4 Development Tax

A development tax is a type of excise tax on the privilege or activity of development and/or the availability or use of municipal services. The tax is generally imposed only on new construction and is usually based on the number of units, number of bedrooms or square footage. *A development tax is different from a development fee.* Development fees must be adopted pursuant to the Government Code, Sections 66000 et seq., and are intended to mitigate the impacts of development, and must not exceed the cost of providing the services or facilities necessitated by the development. A two-thirds vote of the electorate is required to impose a Development Tax.

2.2.5 Special Taxes

While proceeds from general taxes are deposited into the general fund and are used for general governmental purpose, special taxes are collected or earmarked for a specific purpose or governmental program. Special taxes require a two-thirds vote of the electorate in order to be implemented. In 2000, the Legislature instituted new requirements for the use of special taxes, as well as bonds. The Local Agency Special Tax and Bond Accountability Act require that:

- Ballot measures for a special tax include a statement indicating the specific proposed use of the special tax;
- The proceeds be applied only to the specified purposes;
- The proceeds be deposited into a special account; and
- The local agency prepare an annual report for its governing body and must include the amount of funds collected, expended, and the status of any project funded by the special tax.

Special taxes can be implemented to finance services by the implementing agency if it is able to meet the two-thirds vote requirements. Mello-Roos Community Facilities Act of 1982 provides the authority as to the types of services and improvements allowed when the special tax is used to finance new developments, including finance of the purchase, construction, improvement, expansion or rehabilitation of any real or tangible property

with an estimated useful life of five or more years. Types of projects include park, recreation and open-space facilities, school sites and buildings, libraries, childcare facilities, natural gas pipeline facilities, and telephone, electrical cable facilities, and seismic safety improvements.

A parcel tax is a particular type of excise tax that is based on either a flat per parcel rate or a rate that varies depending upon use, size and/or number of units on each parcel. A parcel tax must be adopted as a special tax. A parcel tax in the nature of an ad valorem property tax is invalid, because it would violate the 1% limit on ad valorem property taxes. A parcel tax in the nature of a non-ad valorem property tax is invalid, as it would violate Article XIII, Section 1 of the California Constitution. Ordinances adopting a parcel tax commonly provide that they are an excise tax based on the availability or use of municipal services and/or facilities. The tax payer need not actually use the services but can be required to pay the tax based on the mere availability of the services. However, if services are used, a parcel tax must be proportional to such use by the taxpayer. This proportionality requirement is similar to the apportionment requirement for business license taxes.

2.2.6 Other Taxes

Other taxes that can be imposed by the local agencies include Business License Tax, Utility Users Tax, Admission Tax, Parking Tax, and Real Property Transfer Tax. These types of taxes are not applicable for the purposes of this project.

2.3 Benefit Assessments

Benefit assessments are charges levied on real property to pay for public improvements or services provided within a pre-determined district or area according to the special benefit the parcel receives from the improvement or services. Benefit assessments are neither taxes nor fees. Assessments are either imposed as pay-as-you-go financing or to provide a special fund to repay bonded indebtedness. Local agencies must have express legislative authority to levy specific benefit assessments. There are a number of specific statutes that provide for different types of benefit assessment districts and bonding authority. Statutes include authority for benefit assessments for landscaping and street lighting, major street and sidewalk improvements. Local agencies are authorized to develop their own procedures for levying benefit assessments. Property owners must be allowed to participate in an assessment ballot proceeding, which allows a vote of those property owners representing 50% plus 1 of the total assessment proposed to defeat the assessment.

California has a number of laws that permit the establishment of an assessment district to finance the construction and maintenance of public improvement. Some allow for bond financing in connection with procedures that authorize the establishment of an

assessment district. The most commonly used laws have been the Improvement Act of 1911, the Municipal Improvement Act of 1913, the Improvement Bond Act of 1915, the Vehicle Parking District Law of 1943, the Landscaping and Lighting Act of 1972, and the Benefit Assessment Act of 1982.

Procedures by which a local agency may establish an assessment district and impose a benefit assessment vary depending on which law is utilized. Common to the creation of most assessment districts are the following activities:

- Initiation
- Engineers Report
- Resolution
- Notice of Public Hearing
- Protest
- Recordation
- Cash Collection
- Issuance of Improvements Bonds

2.4 Development Impact Fees, Dedications and Exactions

Development, primarily new development, causes an impact on existing local streets, storm drains, flood control system, street lighting, parks and community facilities. Through the power to approve specific land uses, local agencies have the opportunity to receive significant benefits to mitigate these impacts by attaching conditions for dedication of land or payment of fees as a requirement for approval of a development project. In short, a developer agrees to dedicate to the agency an amount of land or money needed to provide certain services to accommodate the needs of the resident or employees which the development bring to the community. The developer agrees to this in return for the privilege of developing a parcel of land. The fees must be justified as an offset to the future impact that development will have on the existing infrastructure. Typically, these fees are for the non-recurring expenditures on capital improvements and do not mitigate development impacts of the recurring cost of operations.

These exactions might come through general or specific plan adoptions or amendments, zoning, use permits, variances, subdivisions, building permit approval and property development agreements. Local agencies have the authority to impose these dedications through a reasonable exercise of its police powers (California Constitution, Article XI).

Development impact fees are authorized in Government Code Section 66000. AB1600, which created GC66000, was enacted by the State of California in 1987. Government Code Section 66000/AB 1600 (commonly referred to as the “Mitigation Fee Act”)

requires all public agencies to satisfy specific (nexus) requirements when establishing or imposing a fee as a condition of new development.

The following are the steps necessary to identifying the nexus for development fees:

1. Identify the purpose of the fee;
2. Identify the use to which the fee will be put;
3. Determine that there is a reasonable relationship between:
   a) The fee's use and the type of development on which the fee is to be imposed;
   b) The need for the facility and the type of development on which the fee is to be imposed; and
   c) The amount of the fee and the facility cost attributable to the development project.

Meeting these requirements would establish the nexus and the proportionality requirements of the Mitigation Fee Act and other requirements of state and federal law. Each of these requirements is discussed in more detail below:

2.4.1 Identifying the Purpose of the Fees

The broad purpose of impact fees is to protect the public health, safety and general welfare by providing for adequate public facilities. A given impact fee program must identify the use or uses for which the funds collected will be used. Some of the purposes for which fees may be used include water, waste-water, parks, drainage, and transportation.

2.4.2 Identifying the Use of the Fees

According to Section 66001, if a fee is used to finance public facilities, those facilities must be identified. Projects can be identified in, but not limited to, the capital improvements plan, the general plan, a specific plan, or a combination of these sources. A capital improvements plan may be used for that purpose, but is not mandatory if the facilities are identified in the General Plan, a Specific Plan, or in other public documents. If a capital improvement plan is used to identify the use of the fees, it must be updated annually by resolution of the governing body at a noticed public hearing.

2.4.3 Determining Reasonable Relationship

As discussed above, Section 66001 requires that, for fees subject to its provisions, that the Agency determine the following:

1. How there is a "reasonable relationship" between the fee's use and the type of development project on which the fee is imposed;
2. How there is a "reasonable relationship" between the need for the public facility and the type of development project on which the fee is imposed.
3. How there is a "reasonable relationship" between the fee amount and the share of the facility cost attributable to the development on which the fee is imposed.

These three reasonable relationship requirements as defined in the statute parallel "essential nexus" and "rough proportionality" requirements under the law. (Nollan vs. California Coastal Commission (1987) 483 U.S. 825 (Nollan), Dolan vs. City of Tigard (1994) 512 U.S. 374 (Dolan) and Erhlich vs. City of Culver City (1996) 12 Cal. 4th. 854. More recently, however, the California Supreme Court held that development mitigation fees that are established pursuant to a legislative mandate or formula imposed on a broad class of projects, rather than individualized exactions, are not subject to the heightened scrutiny of the Nollan/Dolan tests, but nevertheless require that there be a reasonable relationship between the fee and the deleterious impacts for mitigation of which the fee is collected. San Remo Hotel vs. City and County of San Francisco. (2002) 27 Cal 4th 643.

2.4.3.1 Reasonable Relationship – Fee Use and Type of Development

Impact fees may be used to recover the cost of development-related facilities, but only to the extent that the need for facilities is a consequence of the development that is subject to the fees. Court decisions reinforced the principle that development exactions may be used only to mitigate conditions created by the developments upon which they are imposed. Using fee revenue to construct roads used by a residential development would be appropriate, however, using fees to construct roads not used by the development upon which the fee is levied would not.

2.4.3.2 Reasonable Relationship – Need for Facility and Type of Development Project

Impact fees may only be levied when the need for a facility or upgrading of a facility is attributable to a given development. It may be reasonable to charge a commercial development a fee for transportation improvements that will be needed to serve its customers but it would not be reasonable to charge the same development a fee for a community park which it did not create the need for.

2.4.3.3 Reasonable Relationship – Fee Amount and Share of Facility Cost Attributable to the Development

The requirement that exactions be proportional to the impacts of development has been clearly stated by the U.S. Supreme Court in court cases and is logically necessary to establish a proper nexus. Proportionality is established through the procedures used to identify development-related facility costs, and in the methods used to calculate impact fees for various types of facilities and categories of development. In calculating impact fees, costs for capital improvements are allocated in proportion to the level of demand created by different types of development. If half the cost (need) for a new water treatment plant is attributable to new residential growth in a community, then the fee must be set so that residential growth does not pay more than half the cost for the new facility.

2.5 Debt Financing Alternatives

A variety of debt financing methods are used by municipal agencies or entities throughout California to raise funds for capital projects. Debt financing can enable a public entity to spread the cost of a project over time, employ the "pay as you use" model of project financing. Terms of repayment vary but in most instances should not exceed the useful life of the project. If certain legal requirements are met, interest on bonds issued by a local government is exempt from state personal income taxes. In general, interest is exempt from federal income taxes. Qualified financial advisors, investment bankers and bond counsel should be consulted when embarking on a new debt financing.

The major issue with debt financing is an assurance of continuous revenue generation to pay to for the debt through the life of the bond. Below is a description of some of the debt financing alternatives:

2.5.1 General Obligation Bonds

General Obligation bonds may be sold by a local public entity that has the legal authority to levy ad valorem taxes on real and personal property located within its boundaries. Although new voter authorization for general obligation bonding authority was suspended in 1978 with passage of Proposition 13, Proposition 46 (approved by a majority of voters statewide in June 1986) amended Article IIIA of the California Constitution to allow a two-thirds majority of those voting in a local election to authorize general obligation bond issues for specific projects.

From an investor's standpoint, G.O. bonds are the most secure type of municipal security available and, therefore, attain the lowest interest costs of any comparable long-term security. The issuer is authorized by the voters to levy an ad valorem tax on all taxable

property located within its jurisdiction, at any rate necessary to collect enough money each year to pay for principal and interest coming due on the outstanding bonds. In addition, the issuer pledges its full faith and credit to pay for the indebtedness, meaning that the issuer pledges the bondholders all available funds.

2.5.2 Special Benefit Assessment Bonds

Special benefit assessments (also known as special assessments or benefit assessments) can be levied by cities, counties and special districts only to acquire or construct public improvements that convey a special benefit to an identifiable group of properties. Special benefit assessments must be apportioned to the benefited properties based upon the respective benefits received and must be levied on uniform and consistent basis. Apportionment is usually based on frontage, area, units, assets value, traffic generation, or some combination thereof. Land value may not be the only component used to assign benefits, or the assessment may be construed as an ad valorem tax, and the bonds would be considered general obligation bonds, subject to two-thirds vote requirement. The following principals are common to all benefit assessment procedures:

- Money raised must be used for a public purpose;
- The improvements for which the assessment is levied must beneficially affect a well-defined and limited area of land;
- The total assessment must not exceed the cost of the improvements and incidental costs;
- The actual assessment must be proportionate to the benefit received; and
- The owner of the land assessed must be given an opportunity to vote on the assessment levied. A majority vote, weighted by the respective amounts of assessments, must obtained, and a public hearing must be held.

Typical projects included in a benefit assessment include streets, sidewalks, curb, and gutters; off-street parking, waste water collection and treatment, landscaping, water supply systems, storm drainage systems, street lighting, local gas and electrical services, retaining walls, navigation facilities, and stabilization of land.

2.5.3 Joint Powers Authority Marks-Roos Bonds

The Joint Exercise of Powers Act authorizes local public agencies to jointly exercise common powers and to form joint powers authorities (JPAs). The Marks-Roos Local Bond Pooling Act of 1985 provides local agencies with extremely flexible financing powers through participation in JPAs. JPA can be formed with as few as two members and can be used to finance projects for the member agencies for non-member local agencies.

Bonds issued through the JPA may finance any project that can be financed by a member of JPA. These projects include general administrative facilities; public works facilities; park and recreation facilities or vehicles; public libraries; streets, bridge and mass transit facilities; publicly-owned or operated parking garages; police and fire station; and criminal justice facilities.

2.6 Other Innovative Financing

There are several other innovative financing options for state and local agencies in California. They include GARVEE bonds, public-private partnerships, State Infrastructure Bank, and Transportation Infrastructure Finance and Innovation Act (TIFIA). Below is a short description of each option.

2.6.1 GARVEE Bonds

GARVEE bonds are backed with future federal fund allocations which reduce the amount of future federal funds available for other projects. They also have limited use. The California Government Code restricts the use of GARVEE bonds, allowing no more than 30 percent of the annual federal appropriation for repayment of bonds.

2.6.2 Public-Private Partnerships

Public-private partnerships have been used for two projects, both constructed as toll roads. Private bonding is used with toll revenues paying the bond payments. This has allowed private investment in the transportation system. Since private bond costs are not exempt from being taxed, the average cost of the private bonds is twenty to twenty-five percent higher than tax-exempt bonds.

2.6.3 State Infrastructure Banks

The State Infrastructure Bank is a revolving loan program established in 2002. The bank, with $3 million in federal grant funds, provides flexible, short-term financing to public and public-private entities to accelerate transportation projects. Loans from the bank are restricted to between $300,000 and $1 million and must be repaid within six years. Projects must also meet federal eligibility requirements. The bank's use has been limited because of the restrictive loan amounts and federal eligibility requirements. Nationally, 32 states have implemented similar programs with loan agreements around $4.8 billion.

2.6.4 TIFIA Program

The Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA) established a new federal program under which the U.S. Department of Transportation may provide Federal credit assistance to major transportation investments of critical or national significance, such as transit and passenger rail facilities, inter-modal facilities, border crossing infrastructure, and highway trade corridors.

3 FUNDING OPTIONS FOR CONSIDERATION IN ARTA

Based on current and future trends in existing transportation funding, it is apparent that new sources of funding will be needed to help finance the roadway improvements identified in the ARTA study. This section evaluates four options to provide additional funding that the ARTA Steering Committee identified as potentially the most viable for use in the ARTA area. These options are:

- Sales Tax
- Transient Occupancy Tax
- Traffic Impact Fees
- Development Tax

3.1 Sales Tax

Currently the sales tax in each County is 7.25%. If desired, Lassen and Plumas Counties can increase the tax between 0.125% to 0.5% for special transportation purposes. Additional taxes would require a two-thirds vote of the electorate. There are two options for general sales tax increase. The first option is to create a Special District within the Almanor region within which an increase in sales tax can be instituted. The revenue derived from this increase will be used only for transportation improvements in the ARTA area. The other option is to impose a general sales tax program county wide for both counties, with the monies generated being used county wide.

In order to allow sales tax collection within the Almanor region a state legislation is required to allow collection of taxes within the prescribed area.

Table 3.1 shows the estimated annual sales tax revenue from a ¼ and ½ cent increase in the sales tax for Plumas and Lassen Counties as a whole as well as for the study area specifically. **Table 3.2** shows the estimated 20-year sales tax revenue from a ¼ and ½ cent increase in the sales tax for Plumas and Lassen Counties as well as for the study area specifically.

Table 3.1 – Annual Sales Tax Revenue Potential

Description	Lassen	Plumas	Almanor Region [2]	
			Lassen	Plumas
Taxable Sales on all Outlets [1]	$268,664,000	$226,760,000	$27,538,060	$51,021,000
7.25% Tax Rate	$19,478,140	$16,440,100	$1,996,509	$3,699,023
¼ cent Increase in Sales Tax	$671,660	$566,900	$68,845	$127,553
½ cent increase in Sales Tax	$1,343,320	$1,133,800	$137,690	$255,105

Notes:
1. California State Board of Equalization – Sales and Use Tax – 2005-06.
2. Based on pro-rate population within each county in the Almanor region (22.5% in Plumas County and 10.25% in Westwood/Creek Area).

Table 3.2 – 20-Year Sales Tax Revenue Potential[1]

Sales Tax Option	Almanor Region			Outside of the Almanor Region (Optional Area)		
	Lassen	Plumas	Total	Lassen	Plumas	Total
¼ cent Increase in Sales Tax	$1,376,903	$2,551,050	$3,927,953	$24,715,409	$39,541,275	$64,256,684
½ cent increase in Sales Tax	$2,753,806	$5,102,100	$7,855,906	$49,430,818	$79,082,550	$128,513,368

Note:
1. Estimates are based on straight-line projections and do not assume any change (increase/decrease) in revenue each year.

3.2 Transient Occupancy Tax

Agencies can impose a Transient Occupancy Tax (TOT) to provide additional revenue for transportation projects. The current rate for Lassen and Plumas counties are 10% and 9% respectively. Based on a survey conducted in 2000 among 344 cities, the TOT were between 12 to 15% in California. Therefore, a viable maximum range is in the range of 12 to 16%. **Table 3.3** shows the potential additional annual TOT tax revenue for various increase levels. **Table 3.4** shows the 20-Year potential revenue from TOT tax in the Almanor Area, based on pro-rata population in the region.

Table 3.3 – Annual TOT Revenue Potential

Description	Lassen	Plumas	Almanor Region [2]	
			Lassen	Plumas
Current Revenue [1]	$55,550	$1,043,000		
2% Increase	$11,110	$231,778	$1,139	$69,533
4% Increase	$22,220	$463,556	$2,278	$139,067
6% Increase	$33,330	$695,333	$3,416	$208,600

Notes:
1. Source: Lassen County Budget for Fiscal Year 2006-2007, and Plumas County Budget for Fiscal Year 2006-2007.
2. Based on pro-rate population for Lassen County (10.25%) and 30% in Plumas County (based on actual TOT generated in Almanor region from the Draft Plumas County General Plan).

Table 3.4 – 20-Year Transient Occupancy Tax Revenue Potential[1]

TOT Rate Increase	Estimated Additional Tax Revenue Almanor Region		
	Lassen County	Plumas County	Total
2%	$22,776	$1,390,667	$1,413,442
4%	$45,551	$2,781,333	$2,826,884
6%	$68,327	$4,172,000	$4,240,327

Note:
1. Estimates are based on straight-line projections and do not assume any change (increase/decrease) in revenue each year.

3.3 Traffic Impact Fee

The statutory requirements to establish a fee program under the Mitigation Fee Act (AB 1600) were outlined in section 2.4. As noted in that section, a number of methods can be used to identify the improvements to be funded in a fee program, including (but not limited to) a capital improvement plan, general plan, and/or specific plan.

The method appropriate for use in the ARTA study area is the plan-based methodology. The plan-based method allocates costs for a specified set of improvements based on future demand projections and the geographic location of anticipated growth. The road improvements identified in ARTA are based on the projected number of trips that must be accommodated from development occurring in the region. Existing facilities and current levels of service must also be considered when identifying future development needs. Costs are allocated to various categories of development in proportion to the amount of development and the relative intensity of traffic generation for each category.

The plan-based method assumes that the entire service capacity of a specified improvement will be absorbed by the planned development, or that any excess capacity is unavoidably related to serving that development. The plan-based method is often the most practical approach where actual usage is difficult to measure or where capacity cannot always be matched closely to demand. Conversely, this method is relatively inflexible in the sense that it is based on a particular land use plan. If the plan changes significantly, the fees may have to be recalculated.

The service demand variable, which is used in the methodology, to quantify the impact and establish a nexus between new development and the impact on the roadway system is trip generation. The PM peak hour trip generation rates used in this study are based on the ARTA study which was derived from the Institute of Transportation Engineer's (ITE) *Trip Generation Manual*.

The steps necessary to perform the nexus analysis under the plan-based methodology are outlined in **Table 3.5**. The information and calculations required to complete each step follow immediately after the table. It should be noted that in this section of the report the maximum impact fee level allowed under the Mitigation Fee Act (AB 1600) is determined. In the following chapter, various strategies are presented that may allow actual fee levels to be set lower than the maximum fee level.

Based on the nexus analysis, a fee lower than the maximum allowable can be set by the approval board as long as it is not used to cover the obligations of another development type. For example, a lower fee can be set for commercial developments as long as residential developments are not carrying the additional burden.

Table 3.5 – ARTA Nexus Analysis

Step #	Requirement
Step 1:	Identify the time horizon and the development growth projections within the time horizon.
Step 2:	Determine the transportation facilities needed to serve the projected growth.
Step 3:	Estimate the gross cost of facilities needed to serve projected growth.
Step 4:	Subtract the costs of facilities that are needed to correct existing deficiencies.
Step 5:	Subtract revenues available from sources other than impact fees to identify the facilities cost for which fees are to be collected.
Step 6:	Determine the total projected trips that will be generated by future development by multiplying the expected future development by its respective PM peak hour trip rate.
Step 7:	Divide the total net facilities cost by the total projected trips from Step 6 to calculate a cost per trip.
Step 8:	Multiply the cost per trip by the trip rate assigned to each land use category in Step 5 to determine the impact fee for each land use category.

Step 1: Identify Time Horizon and Growth Projections.

The time horizon is the year 2030 as identified in the ARTA report (ARTA, page 7). The growth projections for the year 2030 are also provided in the ARTA report (ARTA, Tables 10 & 11).

Step 2: Transportation Facilities Needed.

The ARTA report evaluated the transportation improvements that would be needed under three different Level of Service (LOS) standards - "C/D", "D" and "E" (ARTA, Tables 16, 17 & 18).

Step 3: Gross Cost of Facilities.

The ARTA report provides cost estimates for the improvements that would be needed under the Level of Service (LOS) "C/D", "D" or "E" standard (ARTA Tables 16, 17 & 18). The cost for improvements needed under the LOS "C/D" standard is $126 million, $81.5 million under the LOS "D" standard and $54.5 million under LOS "E".

Step 4: Existing Transportation System Deficiencies.

Traffic Impact Fees cannot pay for correction of existing deficiencies on the roadway system. Therefore, the cost of the existing roadway deficiencies must be deducted from the total roadway improvement requirements. The cost attributable to existing roadway deficiencies under the LOS "C/D" standard is $45.9 million while the cost attributable to existing deficiencies under the LOS "D" and LOS "E" standards is $13.5 million.

Step 5: Net Facility Cost for Fee Calculation.

The net facility cost to be used in calculation of the maximum potential impact fee for the LOS C/D, D and E standards is shown in **Table 3.6**. In order to identify the maximum impact fee level that could be established under the Mitigation Fee Act (AB 1600), revenues from other sources have been assumed to be zero. In the following chapter, a number of potential funding strategies are presented with different assumptions regarding funding from other sources.

Table 3.6 – Net Facility Cost to be Used in Fee Calculation

	LOS C/D Standard	LOS D Standard	LOS E Standard
Gross Improvement Cost	126.0	81.5	54.5
Less:			
Existing Deficiencies	(45.9)	(13.5)	(13.5)
Interregional Component	(4.0)	(3.4)	(2.0)
Other Sources	(0.0)	(0.0)	(0.0)
Net Facilities Cost	76.1	63.2	39.0

Step 6: Trips From New Development

Table 3.7 summarizes the year 2030 trip generation information for new developments as provided in the ARTA report.

Table 3.7 – Traffic Impact Fee Trip Data

Region	Development Type	Total PM Peak Hour Trips
Plumas	Dwelling Units	1,262
	Secondary Units	141
	Commercial	1,578
	Total Plumas	2,981
Lassen	Dwelling Units	586
	Secondary Units	0
	Commercial	1,638
	Dyer Mountain Resort (Phase 1)	485
	Total Lassen	2,709
Grand Total		5,690

Step 7: Calculate Cost Per Trip

The cost per PM peak hour trip and total potential revenue for the LOS C/D, LOS D, and LOS E standards are shown in **Table 3.8**, **Table 3.9**, and **Table 3.10** respectively. Note that this reflects the maximum cost per trip that could be set based on the nexus analysis – the actual rate could be set at a different level as will be shown in the next chapter.

Table 3.8 – Cost Per Trip and Potential Revenue – LOS C/D

Region	Development Type	Number of PM Peak Hour Trips	Cost per PM Peak Hour Trip	Total Potential Revenue
Plumas	Dwelling Units	1,262	$13,374	$16,878,000
	Secondary Units	141	$13,374	$1,886,000
	Commercial (Sq. Ft)	1,578	$13,374	$21,105,000
	Total Plumas	2,981		$39,869,000
Lassen	Dwelling Units	586	$13,374	$7,837,000
	Secondary Units	$0	$13,374	$0
	Commercial (Sq. Ft)	1,638	$13,374	$21,907,000
	Dyer Mtn (Phase 1)	485	---	$6,487,000
	Total Lassen	2,709		$36,231,000
Grand Total		5,690		$76,100,000

Table 3.9 – Cost Per Trip and Potential Revenue – LOS D

Region	Development Type	Number of PM Peak Hour Trips	Cost per PM Peak Hour Trip	Total Potential Revenue
Plumas	Dwelling Units	1,262	$11,107	$14,017,000
	Secondary Units	141	$11,107	$1,566,000
	Commercial (Sq. Ft)	1,578	$11,107	$17,527,000
	Total Plumas	2,981		$33,110,000
Lassen	Dwelling Units	586	$11,107	$6,509,000
	Secondary Units	$0	$11,107	$0
	Commercial (Sq. Ft)	1,638	$11,107	$18,194,000
	Dyer Mtn (Phase 1)	485	---	$5,387,000
	Total Lassen	2,709		$30,090,000
Grand Total		5,690		$63,200,000

Table 3.10 – Cost Per Trip and Potential Revenue – LOS E

Region	Development Type	Number of PM Peak Hour Trips	Cost per PM Peak Hour Trip	Total Potential Revenue
Plumas	Dwelling Units	1,262	$6,854	$8,650,000
	Secondary Units	141	$6,854	$967,000
	Commercial (Sq. Ft)	1,578	$6,854	$10,816,000
	Total Plumas	2,981		$20,433,000
Lassen	Dwelling Units	586	$6,854	$4,016,000
	Secondary Units	$0	$6,854	$0
	Commercial (Sq. Ft)	1,638	$6,854	$11,227,000
	Dyer Mtn (Phase 1)	485	---	$3,324,000
	Total Lassen	2,709		$18,567,000
Grand Total		5,690		$39,000,000

Step 8: Calculate Impact Fee for Each Land Use Category

Level of Service "C/D" Standard

Based on the nexus analysis and the assumption that Traffic Impact Fees are the only funding source utilized to improve the transportation system, the maximum Traffic Impact Fee for each development type at the LOS C/D standard would be as follows:

- Single Family Dwelling Unit: $10,700 per unit
- Secondary Dwelling Unit: $10,700 per unit
- Commercial: $25.29 per square foot
- Dyer Mountain Development: $6,487,000

Level of Service "D" Standard

Based on the nexus analysis and the assumption that Traffic Impact Fees are the only funding source utilized to improve the transportation system, the maximum Traffic Impact Fee for each development type at the LOS D standard would be as follows:

- Single Family Dwelling Unit: $8,800 per unit
- Secondary Dwelling Unit: $8,800 per unit
- Commercial: $18.33 per square foot
- Dyer Mountain Development: $5,387,000

Level of Service "E" Standard

Based on the nexus analysis and the assumption that Traffic Impact Fees are the only funding source utilized to improve the transportation system, the maximum Traffic Impact Fee for each development type at the LOS E standard would be as follows:

- Single Family Dwelling Unit: $5,500 per unit
- Secondary Dwelling Unit: $5,500 per unit
- Commercial: $13.00 per square foot
- Dyer Mountain Development: $3,324,000

3.4 Development Tax

Development tax is a type of excise tax on the privilege of development. The tax is generally imposed only on new construction and is usually based on the number of units, number of bedrooms, or square footage. A development tax is different from a development fee and should not be used in addition to the development fee. A Development Tax is imposed for revenue-raising purposes and need not bear any relationship to the cost of facilities, services, or other municipal purpose funded by the tax revenues. For the purpose of the analysis presented below, it is assumed that each county would set the tax rate on new development at the level necessary to pay for the cost of the improvements required to serve new development. Other potential tax levels are investigated in the following chapter. A two-third vote of the electorate is required to impose any special taxes.

3.4.1 Level of Service "C/D" Standard

Based on funding need from new development of approximately $76 million, **Table 3.11** shows the necessary level of development tax revenue by county and development type.

Table 3.11 – Development Tax Revenue at 2030 – LOS C/D

Region	Development Type	Percent of Total Trips	Tax Burden by Development Type
Plumas	Dwelling Units	22.2%	$16,878,000
	Secondary Units	2.5%	$1,886,000
	Commercial (Sq. Ft)	27.7%	$21,105,000
	Total Plumas	52.4%	$39,869,000
Lassen	Dwelling Units	10.3%	$7,837,000
	Secondary Units	0.0%	$0
	Commercial (Sq. Ft)	28.8%	$21,907,000
	Dyer Mtn (Phase 1)	8.5%	$6,487,000
	Total Lassen	47.6%	$36,231,000
Grand Total		100%	$76,100,000

Based on Table 3.11, the estimated average flat tax rate by each development type is as follows:

- Single Family Dwelling Unit: $10,700 per unit
- Secondary Dwelling Unit: $10,700 per unit
- Commercial: $25.29 per square foot

3.4.2 Level of Service "D" Standard

Based on a funding need from new development of approximately $67.4 million, **Table 3.12** shows the necessary level of development tax revenue by county and development type.

Table 3.12 – Development Tax Revenue at 2030 - LOS D

Region	Development Type	Percent of Total Trips	Tax Burden by Development Type
Plumas	Dwelling Units	22.2%	$14,030,000
	Secondary Units	2.5%	$1,580,000
	Commercial (Sq. Ft)	27.7%	$17,507,000
	Total Plumas	52.4%	$33,117,000
Lassen	Dwelling Units	10.3%	$6,510,000
	Secondary Units	0.0%	$0
	Commercial (Sq. Ft)	28.8%	$18,202,000
	Dyer Mtn (Phase 1)	8.5%	$5,371,000
	Total Lassen	47.6%	$30,083,000
Grand Total		100%	$63,200,000

Based on Table 3.12, the estimated average flat tax rate by each development type is as follows:

- Single Family Dwelling Unit: $8,800 per unit
- Secondary Dwelling Unit: $8,800 per unit
- Commercial: $18.33 per square foot

3.4.3 Level of Service "E" Standard

Based on a funding need from new development of approximately $39.0 million, **Table 3.13** shows the necessary level of development tax revenue by county and development type.

Table 3.13 – Development Tax Revenue at 2030 - LOS E

Region	Development Type	Percent of Total Trips	Tax Burden by Development Type
Plumas	Dwelling Units	22.2%	$8,658,000
	Secondary Units	2.5%	$975,000
	Commercial (Sq. Ft)	27.7%	$10,803,000
	Total Plumas	52.4%	$20436,000
Lassen	Dwelling Units	10.3%	$4,017,000
	Secondary Units	0.0%	$0
	Commercial (Sq. Ft)	28.8%	$11,232,000
	Dyer Mtn (Phase 1)	8.5%	$3,315,000
	Total Lassen	47.6%	$18,564.000
Grand Total		100%	$39,000,000

Based on Table 3.13, the estimated average flat tax rate by each development type is as follows:

- Single Family Dwelling Unit: $5,500 per unit
- Secondary Dwelling Unit: $5,500 per unit
- Commercial: $13.00 per square foot

3.4.4 Potential Application of a Progressive Development Tax

As an alternate to a flat tax, where the Development Tax is equal for all development sizes, it is possible to consider a progressive tax, so that the tax burden can be higher for certain development types than others (i.e. the tax rate could be set higher for larger homes and lower for smaller homes). This alternative would tend to benefit the lower income levels and will put a higher requirement for larger development types. A progressive development tax cannot be based directly on the value of the development or resident income levels, however. A more detailed analysis regarding the Progressive Development Tax option should be prepared by legal counsel prior to placing the matter on the ballot.

3.5 Other Project Implementation Costs

In order for the Almanor region to develop a realistic funding scenario, there are two other considerations that should be included the decision-making processes. The first is the method to advance the funding to allow for planning, design and implementation of the project. The second is the potential inflationary cost issues associated with transportation improvement projects.

3.5.1 Bonding Costs

A General Obligation Bond can be utilized to create the cash flow for the region to initiate the planning, design and construction of the projects. Bond financing is a type of long-term borrowing that public agencies use to raise money. Public agencies obtain this money by selling bonds to investor. In exchange, it agrees to repay the money, with interest according to a specified schedule. The cost of using bonds depend primary on the amount sold, the interest rates, the time period over which the bonds are to be repaid, and the maturity structure of the bonds. For example, the most recently state general obligation bonds by the State will be paid off over a 30-year period with fairly level annual payments. Assuming that a bond carries a tax-exempt interest rate of 5 percent, the cost of paying it off with level payments over 30-years will be close to $2 dollars for each dollar borrowed - $1 for the amount borrowed and $1 for the interest. This cost, however, is spread over the entire 30-year period, so the cost after adjusting for inflation is considerably less, about $1.30 for each $1 borrowed.

Bond financing is effective if there is an ability to pay the bonds off in the future. With declining revenues, bonds may not be a viable option. A more detailed bond financing analysis should be conducted by a qualified financial advisor, investment banker and bond counsel.

3.5.2 Inflationary Cost

Another cost that should be considered is the inflationary costs. Based on 20-year historical data from the Caltrans Construction Price Index, the average annual inflationary increase is approximately 5.5%.

4 POTENTIAL FUNDING STRATEGIES FOR ARTA

A number of strategies can be employed to develop a complete funding package. One option is to include a number of revenue plans to spread the impact (cost for improvements) on the "appropriate" transportation users, i.e. using a combination of existing and new funding sources.

Table 4.1 summarizes the impacts of the various fees/taxes on current and future residents as well as seasonal (or pass-through) users.

Table 4.1 – Funding Options Impacts

Funding Option	Existing Residents	New Developments/ Residents	Seasonal Users
Sales Tax	Yes	Yes	Yes
Development Tax	No	Yes	No
Traffic Impact Fees	No	Yes	No
Transient Occupancy Tax	No	No	Yes

4.1 Funding Strategies

In the previous chapter, Tables **3.8, 3.9** and **3.10** displayed the amount of revenue that could be generated by the maximum Traffic Impact Fee program, assuming no other new transportation funding sources are adopted. Tables **3.11, 3.12** and **3.13** displayed the amount of revenue that would be generated by setting a Development Tax at the level necessary to pay for the cost of the improvements required to serve new development. It may not be necessary, however, to establish a Traffic Impact Fee or a Development Tax at this level.

In **Tables 4.2, 4.3** and **4.4** that follow, potential funding strategies for the LOS C/D, LOS D and LOS E standard are presented. The common element among all of the strategies is that the level of revenue is equal to the cost of the improvements required under the respective standard. The requirement that an improvement program be "fully-funded" is set forth in the various enabling statutes, including the Mitigation Fee Act. The strategies are presented in order from those that rely most heavily on new funding programs to generate the necessary revenue to options that rely most heavily on existing funding programs to generate the necessary revenue.

Not all of the strategies presented in Tables 4.2, 4.3 and 4.4 are necessarily feasible or desirable. For example, Strategy #10 implies that all of the funding for the improvements

Table 4.2 - Potential Funding Strategies - LOS C/D

Strategies	Sales Tax		Transit Occupancy Tax (TOT)		Traffic Impact Fee (TIF)		Development Tax		Total New Revenue	Total Funding Need	Balance Needed From Existing Sources
	1/4 cent	1/2 cent	4%	6%	Maximum	1/2 maximum	Maximum	1/2 maximum			
1		7,856,000		4,240,000	76,100,000				88,196,000	126,000,000	37,804,000
2		7,856,000		4,240,000			76,100,000		88,196,000	126,000,000	37,804,000
3	3,428,000		2,827,000		76,100,000				82,855,000	126,000,000	43,145,000
4					76,100,000				76,100,000	126,000,000	49,900,000
5		7,856,000		4,240,000		38,050,000			50,146,000	126,000,000	75,854,000
6	3,928,000		2,827,000			38,050,000			44,805,000	126,000,000	81,195,000
7								38,050,000	38,050,000	126,000,000	87,950,000
8		7,856,000		4,240,000					12,096,000	126,000,000	113,904,000
9	3,928,000		2,827,000						6,755,000	126,000,000	119,245,000
10									0	126,000,000	126,000,000

Table 4.3 - Potential Funding Strategies - LOS D

Strategies	Sales Tax		Transit Occupancy Tax (TOT)		Traffic Impact Fee (TIF)		Development Tax		Total New Revenue	Total Funding Need	Balance Needed From Existing Sources
	1/4 cent	1/2 cent	4%	6%	Maximum	1/2 maximum	Maximum	1/2 maximum			
1		7,856,000		4,240,000	63,200,000				75,296,000	81,500,000	6,204,000
2		7,856,000		4,240,000			63,200,000		75,296,000	81,500,000	6,204,000
3	3,428,000		2,827,000		63,200,000				69,455,000	81,500,000	12,045,000
4					63,200,000				63,200,000	81,500,000	18,300,000
5		7,856,000		4,240,000		31,600,000			43,696,000	81,500,000	37,804,000
6	3,928,000		2,827,000			31,600,000			38,355,000	81,500,000	43,145,000
7								31,600,000	31,600,000	81,500,000	49,900,000
8		7,856,000		4,240,000					12,096,000	81,500,000	69,404,000
9	3,928,000		2,827,000						6,755,000	81,500,000	74,745,000
10									0	81,500,000	81,500,000

Table 4.4 - Potential Funding Strategies - LOS E

Strategies	Sales Tax		Transit Occupancy Tax (TOT)		Traffic Impact Fee (TIF)		Development Tax		Total New Revenue	Total Funding Need	Balance Needed From Existing Sources
	1/4 cent	1/2 cent	4%	6%	Maximum	1/2 maximum	Maximum	1/2 maximum			
1		7,856,000		4,240,000	39,000,000				51,096,000	54,500,000	3,404,000
2		7,856,000		4,240,000			39,000,000		51,096,000	54,500,000	3,404,000
3	3,428,000		2,827,000		39,000,000				45,255,000	54,500,000	9,245,000
4					39,000,000				39,000,000	54,500,000	15,500,000
5		7,856,000		4,240,000		19,500,000			31,596,000	54,500,000	22,904,000
6	3,928,000		2,827,000			19,500,000			26,255,000	54,500,000	28,245,000
7								19,500,000	19,500,000	54,500,000	35,000,000
8		7,856,000		4,240,000					12,096,000	54,500,000	42,404,000
9	3,928,000		2,827,000						6,755,000	54,500,000	47,745,000
10									0	54,500,000	54,500,000

Notes:

1. Dollar amounts reflect totals for twenty year period.
2. Sales Tax and TOT can be used for existing deficiencies, TIF and Development Tax cannot.
3. Sales Tax and TOT estimates are for the Almanor Area and are based on straight line projections from 2006.
4. The maximum TIF and Development Tax rates for C/D are $10,700 per dwelling unit and $25.29 per square foot for commercial.
5. The 1/2 rate TIF and Development Tax for C/D are $5,350 per dwelling unit and $12.65 per square foot for commercial.
6. The maximum TIF and Development Tax rates for D are $8,800 per dwelling unit and $18.33 per square foot for commercial.
7. The 1/2 rate TIF and Development Tax for D are $4,400 per dwelling unit and $9.17 per square foot for commercial.
8. The maximum TIF and Development Tax rates for E are $5,500 per dwelling unit and $13.00 per square foot for commercial.
9. The 1/2 rate TIF and Development Tax for E are $2,750 per dwelling unit and $6.50 per square foot for commercial.
10. A TIF program and Development Tax cannot be used together.
11. The "Balance Needed From Existing Sources" column does not imply that the amounts shown are actually available for use in the ARTA Study Area.

needed at Year 2030 is to come from existing sources. The agencies participating in ARTA undertook the study in part because they knew the cost for improvements needed in the Almanor area would exceed revenues available from existing funding programs. Likewise, while Strategy #1 is feasible, it may not be desirable to the participating agencies to simultaneously establish several new funding programs at maximum levels. In all likelihood, the strategies presented in the middle portion of Tables 4.2, 4.3 and 4.4 merit the most consideration. Additional strategies that relay on different contributions from those shown in the tables could also be considered (for example, a strategy where Traffic Impact Fees are set at one-quarter of the maximum level with the Transient Occupancy Tax set higher than is shown).

4.2 Modification of Fees or Tax Rates

In some instances, there may be legitimate public policy objectives that could be furthered by establishing different fees or tax rates for some groups. If differing fees or tax rates are considered, legal counsel should be obtained to help ensure compliance with applicable statutes. The following examples address two such issues that have been identified within the ARTA study area – economic development and affordable housing.

Example A – Traffic Impact Fee Subsidy for Commercial Developments
This example uses information from Section 3.3 for the LOS C/D Standard.

In Section 3.3, the maximum traffic impact fee for commercial development under the LOS C/D standard was determined to be $25.29 per square foot. At this rate, the traffic impact fee would generate $43,012,000 from projected commercial development. Lassen and Plumas Counties, however, could elect to charge a lower fee on commercial development in order to promote economic development. If the impact fee for commercial development was set at $10.00 per square foot, approximately $17,010,000 in revenue would be generated. The reduced fee would therefore result in $26,002,000 less in fee costs on commercial development.

The reduction in commercial fee revenue, however, is not without impact on other components of the overall funding program. The Mitigation Fee Act requires that any funding program for which fees are collected must be fully funded, regardless of the relative share contributed by the fees. In the case of ARTA, the total funding need under the LOS C/D standard is $126,000,000 regardless of the level the commercial impact fee is set at. While the lower commercial fee may be desirable, the $26,002,000 shortage in revenue it creates must still be addressed. While Strategies 5 and 6 in Table 4.2 outline options that could make up a portion of this amount, it is likely that some of the difference would have to come from other funding sources available to the counties.

Example B – Lower Development Tax Rate for "Affordable" Housing
This example uses information from Section 3.4 for the LOS D Standard.

In Section 3.4, the average flat development tax rate for a residential dwelling under the LOS D standard was determined to be $9,500 per unit. At this rate, the development tax would generate $23,589,000 from projected residential development. Lassen and Plumas Counties, however, could decide that a lower tax rate on dwelling units under a certain size would be beneficial in attaining affordable housing goals (the example below assumes that a lower tax rate of $2,500 per unit is applied to units under 1,500 square feet).

Approximately 2,500 new residential units are forecast for construction in the ARTA study area by 2030. Assuming 750 of the units are less than 1,500 square feet, the tax revenue generated at $2,500 per unit would be $1,875,000. In order to still collect about $23,589,000 in development tax revenue, the tax rate would need to be set at $12,500 per unit on dwellings over 1,500 square feet. In this example, there is no shortage in funding created since the two tax rates are set so as to collect the total need created by residential development.

4.3 Conclusion

This Financial Assessment evaluated existing and potential new revenue sources that could be used to fund the transportation improvements identified in the ARTA. Out of the new revenue programs considered, the four potentially most viable were explored in greater detail – sales tax, transient occupancy tax, traffic impact fee, and development tax. Depending on the Level of Service (LOS) standard selected and which new revenue program or programs are pursued, up to ninety-five percent of the cost of the needed improvements could be generated from new revenue programs.

At this time, Lassen and Plumas Counties should consider the following:

- Selection/adoption of a LOS standard for transportation facilities within the ARTA study area.
- Identification of one or more new revenue programs/strategies for further development.